



10 DOWNING STREET

THE PRIME MINISTER

6 January 1986

SUBJECT cc OPS
MASTER

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DTI
PRIME MINISTER'S
PERSONAL MESSAGE
SERIAL No. T 3/86

Dear Prime Minister.

I am writing to you to express my very great concern about the failure of the International Tin Council to meet its financial obligations.

As you know, since the announcement on 24 October that the ITC could no longer honour its contracts, the member countries of the 6th International Tin Agreement have been unable to agree on any course of action to resolve the crisis in the tin market.

From the outset, the UK Government made it clear that we were prepared to meet our share of the ITC's commitments, and we called on other governments to do likewise. We also circulated to other Member Governments a note setting out our analysis of the legal position.

If a settlement is to be reached, the position of the European Community countries, as the largest consumer group within the ITC, will be crucial. Within the European Community, I understand that up to now your Government has rejected any legal responsibility for the debts of the ITC, and has opposed a proposal that representatives of the Commission of the European Communities should take the lead in seeking to negotiate a settlement.

/I really

I really must ask you to look again urgently at the position now being taken by your Government. The discussion has so far concentrated on the extent of the legal liability of member states. This could only be fully tested in the courts. But what concerns me above all is the impression which we, as members of the ITC, would give to the rest of the world if we appeared to disclaim all responsibility for the actions of a body set up to act on our behalf, and on whose Governing Council we as member states are directly represented. I need hardly remind you of the importance we have all placed on an orderly solution to the debt crisis which avoids any question of unilateral default. The maintenance of good faith and integrity in international financial dealings is of vital importance to your country and to mine.

You will know that the producer governments have agreed to work towards a negotiated settlement. This was the first encouraging development in weeks of discussion. As a result, on 23 December a package of proposals was put to the member countries of the ITC by bank and broker representatives as a means of resolving the crisis. The stand taken by the consumer governments will decide whether it makes any headway. Despite the heavy burden we in particular are asked to bear, which is the limit of what we are willing to undertake by way of support for this proposal, the UK government has decided to participate if and only if all other ITC governments agree to do so. I believe that if you were to join us in taking a constructive position in favour of the proposal other Community and other consumer governments would be likely to follow. If no such solution can be found in the very near future, despite the support of the UK Government and others, those responsible for the failure would risk considerable criticism for the damage they would have caused to international markets and to the international economy.

Yours sincerely
Margaret Thatcher

His Excellency Dr. Ruud F. M. Lubbers.

CONFIDENTIAL

Already T'd

1) T3/86

5277 - 2

2) T5/86

ZCZC

OCMIAN 5277

CONFIDENTIAL

DD 060800Z PARIS

FM FCOLN TO PARIS

051000Z JAN

GRS 556

CONFIDENTIAL

FM FCO

TO DESKBY 060800Z PARIS

TELNO 7

OF 051000Z JANUARY 86

AND TO DESKBY 060900Z THE HAGUE

MIPT: TIN

1. PLEASE PASS AS SOON AS POSSIBLE ON MONDAY THE FOLLOWING MESSAGE FROM THE PRIME MINISTER TO PRESIDENT MITTERRAND, AND TO PRIME MINISTER LUBBERS.

QUOTE:

I AM WRITING TO YOU TO EXPRESS MY VERY GREAT CONCERN ABOUT THE FAILURE OF THE INTERNATIONAL TIN COUNCIL TO MEET ITS FINANCIAL OBLIGATIONS.

AS YOU KNOW, SINCE THE ANNOUNCEMENT ON 24 OCTOBER THAT THE ITC COULD NO LONGER HONOUR ITS CONTRACTS, THE MEMBER COUNTRIES OF THE 6TH INTERNATIONAL TIN AGREEMENT HAVE BEEN UNABLE TO AGREE ON ANY COURSE OF ACTION TO RESOLVE THE CRISIS IN THE TIN MARKET.

FROM THE OUTSET, THE UK GOVERNMENT MADE IT CLEAR THAT WE WERE PREPARED TO MEET OUR SHARE OF THE ITC'S COMMITMENTS, AND WE CALLED ON OTHER GOVERNMENTS TO DO LIKEWISE. WE ALSO CIRCULATED TO OTHER MEMBER GOVERNMENTS A NOTE SETTING OUT OUR ANALYSIS OF THE LEGAL POSITION.

IF A SETTLEMENT IS TO BE REACHED, THE POSITION OF THE EUROPEAN COMMUNITY COUNTRIES, AS THE LARGEST CONSUMER GROUP WITHIN THE ITC, WILL BE CRUCIAL. WITHIN THE EUROPEAN COMMUNITY, I UNDERSTAND THAT UP TO NOW YOUR GOVERNMENT HAS REJECTED ANY LEGAL RESPONSIBILITY FOR THE DEBTS OF THE ITC, AND HAS OPPOSED A PROPOSAL THAT REPRESENTATIVES OF THE COMMISSION OF THE EUROPEAN COMMUNITIES SHOULD TAKE THE LEAD IN SEEKING TO NEGOTIATE A SETTLEMENT.

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I REALLY MUST ASK YOU TO LOOK AGAIN URGENTLY AT THE POSITION NOW BEING TAKEN BY YOUR GOVERNMENT. THE DISCUSSION HAS SO FAR CONCENTRATED ON THE EXTENT OF THE LEGAL LIABILITY OF MEMBER STATES. THIS COULD ONLY BE FULLY TESTED IN THE COURTS. BUT WHAT CONCERNS ME ABOVE ALL IS THE IMPRESSION WHICH WE, AS MEMBERS OF THE ITC, WOULD GIVE TO THE REST OF THE WORLD IF WE APPEARED TO DISCLAIM ALL RESPONSIBILITY FOR THE ACTION OF A BODY SET UP TO ACT ON OUR BEHALF, AND ON WHOSE GOVERNING COUNCIL WE AS MEMBER STATES ARE DIRECTLY REPRESENTED. I NEED HARDLY REMIND YOU OF THE IMPORTANCE WE HAVE ALL PLACED ON AN ORDERLY SOLUTION TO THE DEBT CRISIS WHICH AVOIDS ANY QUESTION OF UNILATERAL DEFAULT. THE MAINTENANCE OF GOOD FAITH AND INTEGRITY IN INTERNATIONAL FINANCIAL DEALINGS IS OF VITAL IMPORTANCE TO YOUR COUNTRY AND TO MINE.

YOU WILL KNOW THAT THE PRODUCER GOVERNMENTS HAVE AGREED TO WORK TOWARDS A NEGOTIATED SETTLEMENT. THIS WAS THE FIRST ENCOURAGING DEVELOPMENT IN WEEKS OF DISCUSSION. AS A RESULT, ON 23 DECEMBER A PACKAGE OF PROPOSALS WAS PUT TO THE MEMBER COUNTRIES OF THE ITC BY BANK AND BROKER REPRESENTATIVES AS A MEANS OF RESOLVING THE CRISIS. THE STAND TAKEN BY THE CONSUMER GOVERNMENTS WILL DECIDE WHETHER IT MAKES ANY HEADWAY. DESPITE THE HEAVY BURDEN WE IN PARTICULAR ARE ASKED TO BEAR, WHICH IS THE LIMIT OF WHAT WE ARE WILLING TO UNDERTAKE BY WAY OF SUPPORT FOR THIS PROPOSAL, THE UK GOVERNMENT HAS DECIDED TO PARTICIPATE IF AND ONLY IF ALL OTHER ITC GOVERNMENTS AGREE TO DO SO. I BELIEVE THAT IF YOU WERE TO JOIN US IN TAKING A CONSTRUCTIVE POSITION IN FAVOUR OF THE PROPOSAL OTHER COMMUNITY AND OTHER CONSUMER GOVERNMENTS WOULD BE LIKELY TO FOLLOW.

IF NO SUCH SOLUTION CAN BE FOUND IN THE VERY NEAR FUTURE, DESPITE THE SUPPORT OF THE UK GOVERNMENT AND OTHERS. THOSE RESPONSIBLE FOR THE FAILURE WOULD RISK CONSIDERABLE CRITICISM FOR THE DAMAGE THEY WOULD HAVE CAUSED TO INTERNATIONAL MARKETS AND TO THE INTERNATIONAL ECONOMY.
UNQUOTE.

HOWE

INTERNATIONAL TIN AGREEMENT

FRAME EXTERNAL

ERD
SEAD
SAMD
PUSD
WAD
CAFD
LEGAL ADVISERS
FED
SAD
NAD
UND
SIR W HARDING
MR DAVID THOMAS

COPIES TO :

MR M LUNN (MM)	DTI	ASHDOWN HSE
MR J DENISON CROSS	"	"
MR K HALL (MM)	"	"
MR T VENESS ITP2	DTI	1 VICTORIA ST
MR R TAYLOR ITP2	"	"
MR BRIAN MURRAY	"	"
MR R THOMAS, MAFF		
MR D FRY, MAFF		
MR MOUNTFIELD, HM TREASURY		
MR K REDLEY, HM TREASURY		
MR B GUNN, BANK OF ENGLAND		
MR L SAUNDERS, LAW OFFICERS DEPT,		
ROYAL COURTS OF JUSTICE, THE STRAND		

CONFIDENTIAL



Foreign and Commonwealth Office

London SW1A 2AH

3 January 1986

Dear Charles,

Tin: Messages from the Prime Minister

/ Following this morning's discussion, officials have revised the draft messages to the French President and the Dutch Prime Minister on the lines suggested by the Prime Minister and her colleagues. I enclose draft texts. The first four paragraphs are identical to those in Annex B of Mr Brittan's minute of 2 January to the Prime Minister.

/ I also enclose a draft to the Japanese Prime Minister, which omits references to the European Community. Sir Geoffrey Howe considers that this message could be despatched without waiting for a response from the Europeans.

If you, Rachel Lomax and John Mogg have no comments, we shall telegraph the messages this evening for delivery by our Ambassadors in Paris, The Hague and Tokyo.

Yours ever,

Len Appleyard

(L V Appleyard)
Private Secretary

C D Powell Esq
10 Downing Street

DRAFT: minute/letter/teleletter/despatch/note**TYPE:** Draft/Final 1+**FROM:**

Reference

PRIME MINISTER

DEPARTMENT:**TEL. NO:****SECURITY CLASSIFICATION**

Top Secret
Secret
Confidential
Restricted
Unclassified

TO: 1. THE PRESIDENT OF FRANCE
2. THE PRIME MINISTER OF THE
NETHERLANDS

Your Reference

Copies to:

PRIVACY MARKING

.....In Confidence

CAVEAT.....

SUBJECT:

I am writing to you to express my very great concern about the failure of the International Tin Council to meet its financial obligations.

As you know, since the announcement on 24 October that the ITC could no longer honour its contracts, the member countries of the 6th International Tin Agreement have been unable to agree on any course of action to resolve the crisis in the tin market.

From the outset, the UK Government made it clear that we were prepared to meet our share of the ITC's commitments and we called on other governments to do likewise. We also circulated to other Member Governments a note setting out our analysis of the legal position.

If a settlement is to be reached, the position of the European Community countries, as the largest consumer group within the ITC, will be crucial. Within the European Community I understand that up to now your Government has rejected any legal responsibility for

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Enclosures—flag(s).....

the debts of the ITC, and has opposed a proposal that representatives of the Commission of the European Communities should take the lead in seeking to negotiate a settlement.

I really must ask you to look again urgently at the position now being taken by your government. The discussion has so far concentrated on the extent of the legal liability of member states. This could only be fully tested in the courts. But what concerns me above all is the impression which we, as members of the ITC, would give to the rest of the world if we appeared to disclaim all responsibility for the actions of a body set up to act on our behalf, and on whose Governing Council we as member states are directly represented. I need hardly remind you of the importance we have all placed on an orderly solution to the debt crisis which avoids any question of unilateral default. The maintenance of good faith and integrity in international financial dealings is of vital importance to your country and to mine.

You will know that the producer governments have agreed to work towards a negotiated settlement. This was the first encouraging development in weeks of discussion. As a result, on 23 December a package of proposals was put to the member countries of the ITC by bank and broker representatives as a means of resolving the crisis. The stand taken by the consumer governments will decide whether it makes any headway. Despite the heavy burden we in particular are asked to bear, which is the limit of what we are willing to undertake by way of support for this proposal, the UK

/government

government has decided to participate if and only if all other ITC governments agree to do so. I believe that if you were to join us in taking a constructive position in favour of the proposal other Community and other consumer governments would be likely to follow. If no such solution can be found in the very near future, despite the support of the UK government and others, those responsible for the failure would risk considerable criticism for the damage they would have caused to international markets ~~and~~
the international economy.

HE M France
 Francois Mitterand My dear President

Netherlands

~~My dear Mr~~
 Dear Prime Minister

HE Dr F M
 Ruud Lubbers.

Japan Dear PM

HE M Yasuhiro
 Nakasone

DRAFT: minute/letter/teleletter/despatch/note

TYPE: Draft/Final 1+

FROM:

Reference

PRIME MINISTER

LOS ASA

DEPARTMENT:

TEL. NO:

SECURITY CLASSIFICATION

TO:

Your Reference

Top Secret

Secret

Confidential

Restricted

Unclassified

PRIME MINISTER OF JAPAN

Copies to:

PRIVACY MARKING

.....In Confidence

CAVEAT.....

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favour of the proposal other consumer governments would be likely to follow. If no such solution can be found in the very near future, despite the support of the UK government and others, those responsible for the failure would risk considerable criticism for the damage they would have caused to international markets. *and the international economy.*

